MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2016/2017

BAC3634 – CORPORATE ACCOUNTING 1

(All sections / Groups)

17 OCTOBER 2016
9.00 a.m – 12.00 p.m
(3 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of **SEVEN (7)** pages excluding the cover page with **FOUR (4)** Questions only.

2. Attempt **ALL** questions. All questions carry equal marks and the distribution of the marks is shown at the end of each question.

3. Please write all your answers in the answer booklet provided.

QUESTION 1 (25 MARKS)

Peter Bhd acquired 80% of the share capital in Sam Bhd on 1st July 2014 and 10% share capital in Salleh Bhd. On the same day Sam Bhd purchased 75% of interest in the share capital of Salleh Bhd.

The financial information of three companies for the year ended 30th June 2015 was as follows:

Statements of Financial Position as at 30 June 2015

	Peter Bhd	Sam Bhd	Salleh Bhd
	RM	RM	RM
Ordinary Share Capital of RM1 each	80,000	60,000	20,000
General reserve	12,000	3,900	1,000
Retained earnings	41,600	24,000	11,800
Loans	20,000	23,000	10,000
Accounts payable	8,000	2,000	2,000
Bills payable	8,000	3,000	2,500
	169,600	**115,900**	**47,300**
Property, Plant and Equipment (PPE)	50,000	39,750	20,000
Investments	13,000	8,000	8,000
Investments in Sam Bhd	65,600	-	-
Investments in Salleh Bhd	3,000	20,000	-
Accounts receivables	8,000	18,750	3,000
Inventory	25,000	26,400	13,800
Bills receivables	1,600	1,000	-
Cash and bank balances	3,400	2,000	2,500
	169,600	**115,900**	**47,300**

Additional information:

a) On 1st of July 2014, the following balances appeared in the ledgers of the following two companies:

	Sam Bhd	Salleh Bhd
	RM	RM
Ordinary Share Capital of RM1 each	60,000	20,000
General reserve	2,000	1,000
Retained earnings	10,000	5,000

The fair value of PPE of Sam Bhd on the date of acquisition was higher than the carrying value by RM5,000 and the asset's expected remaining useful life was 5 years. No entries have been recorded in Sam Bhd to reflect the fair values.

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b) On 30th June 2015, inventory of Peter Bhd included, RM1,000 of goods purchased from Sam Bhd and RM2,000 of goods purchased from Salleh Bhd. The mark-up on cost on all sales was 25%. Peter has not sold any of these goods yet.

c) Accounts payable of Peter Bhd includes RM2,000 due to Sam Bhd.

d) Salleh Bhd remitted RM3,000 to Peter Bhd on 30th June 2015, but Peter Bhd has received the amount only on 3rd of July 2015.

e) Non-controlling interest is calculated based on proportionate share of the fair value of net assets on the date of acquisition.

f) 50% of goodwill of Sam Bhd is impaired.

g) Bills payable of Peter Bhd includes RM1,000 due to Sam Bhd.

Required:
In accordance with the requirements of MFRS 10 *Consolidated Financial Statements:*

i) Calculate the goodwill on acquisition of Sam Bhd and Salleh Bhd;

(6 marks)

ii) Prepare the consolidated Statement of Financial Position for Peter Bhd group as at 30 June 2015.

(19 marks)

(Total: 25 marks)

QUESTION 2 (25 MARKS)

Smith Bhd bought 80% of the share capital of Jones Bhd for RM324,000 on 1 October 2012. On that date Jones Bhd's retained earnings balance stood at RM180,000. The statements of financial position at 30 September 2015 is given below.

Statements of Financial Position

	Smith RM'000	Jones RM'000
Non-current assets	360	270
Investment in Jones Bhd	324	-
Current assets	370	370
	1,054	**640**

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Ordinary shares	540	180
Retained earnings-as on 1 October 2014	300	270
Retained earnings-current year profit	114	90
Current liabilities	100	100
	1,054	**640**

Additional information:

a) No entries have been made in the accounts for any of the following transactions. Assume that profits accrue evenly throughout the year.
b) It is the group's policy to value the non-controlling interest at its proportionate share of the fair value of the subsidiary's identifiable net assets. Ignore taxation.
c) No impairment of goodwill.

Required:

i) In accordance with the requirements of MFRS 10 *Consolidated Financial Statements,* prepare the consolidated statement of financial position as at 30 September 2015 in each of the following two (2) different circumstances.

a. Smith Bhd sells its one quarter of its holding in Jones Bhd for RM160,000 on 30 September 2015, and retain control. No entry has been recorded for the sales in Smith Bhd.

(13 marks)

b. Smith Bhd sells its entire holding in Jones Bhd for RM650,000 on 30 September 2015. No entry has been recorded for the sales in Smith Bhd.

(6 marks)

ii) Business combination is a general term which refers to situations whereby businesses form a single entity or unit. Explain three (3) common reasons for the acquisition of a company.

(6 marks)

(Total: 25 marks)

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QUESTION 3 (25 MARKS)

A) The following are the statements of profit or loss of Coco, Dodo and Gogo for the year ended 31 December 2015:

	Coco (RM'000)	Dodo (RM'000)	Gogo (RM'000)
Turnover	1,600	1,000	800
Less: Cost of sales	(1,000)	(300)	(500)
Gross profit	600	700	300
Add: Profit on sale	200	200	-
Less: Operating expenses	(400)	(400)	(200)
Profit before tax	400	500	100
Less: Tax	(60)	(140)	(30)
Profit after tax	340	360	70
Other comprehensive income	-	-	-
Total comprehensive income	**340**	**360**	**70**

Additional information:

a) Coco acquired 70% of Dodo's issued share capital on 1 January 2011 for RM224,000 when Dodo's accumulated loss was RM40,000. Dodo's issued ordinary shares on acquisition date was 280,000 units at RM1 each.

b) Coco acquired 80% of Gogo on 1 January 2014 for RM 64,000 when Gogo's retained profit was RM30,000. Gogo's issued ordinary share capital on acquisition date was at RM140,000.

c) During the year ending 31 December 2015, Dodo sold plant to Coco for RM300,000 with a remaining life of 5 years. The plant was carried in Dodo's books at the net book value of RM100,000 immediately before the sale. The group policy is to depreciate plant on a straight line basis.

d) During the year ending 31 December 2015, Coco sold a piece of land to Gogo for RM500,000. The cost of land to Coco was RM300,000.

Required:

In accordance with the requirements of MFRS 10 *Consolidated Financial Statements*:

i) Calculate goodwill or bargain purchase of Dodo and Gogo.

(6 marks)

ii) Prepare a Consolidated Statement of Profit or Loss for Coco Group for the year ended 31 December 2015.

(14 marks)

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B) It is Coco group's policy to measure the non-controlling interest (NCI) at acquisition at its proportionate share of the fair value of the subsidiary's net assets. The directors of Coco have used this policy for several years and do not know the implications, if any, of changing the policy to that of accounting for the NCI at fair value of ordinary shares. Explain with examples the implications of changing the policy to the directors. (5 marks)

(Total: 25 marks)

QUESTION 4 (25 MARKS)

The following are the consolidated financial statements of Nina Bhd.

Consolidated Statements of Financial Position as at 31 May

	2015 RM	2014 RM
Property, plant and equipment	6,000,000	4,600,000
Investment in associate companies	1,000,000	500,000
Goodwill on consolidation	600,000	200,000
Inventory	2,400,000	1,000,000
Trade receivables	7,400,000	3,700,000
Bank balance	-	800,000
	17,400,000	**10,800,000**
Ordinary share capital	3,160,000	2,400,000
Retained profits	6,840,000	3,760,000
Asset revaluation reserve	1,000,000	-
Non-controlling interest	720,000	200,000
Deferred tax	480,000	840,000
10% debentures	200,000	-
Current liabilities		
Trade payable	4,600,000	3,400,000
Overdraft	400,000	-
Tax payables	-	200,000
	17,400,000	**10,800,000**

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Consolidated Statement of Profit or Loss for the year ended 31 May 2015

	RM
Revenue	19,000,000
Cost of sales	(10,300,000)
	8,700,000
Operating expenses	(3,560,000)
Operating profit	5,140,000
Share of profits of associate companies	160,000
Profit before taxation	5,300,000
Tax-Group	(1,360,000)
Profit after taxation	**3,940,000**
Profit after tax attributable to:	
Shareholders of parent company	3,640,000
Non-controlling interest	300,000
	3,940,000

Additional information:

a) The expenses for the year ended 31 May 2015 include depreciation charges on property, plant and equipment of RM380,000 and impairment of goodwill on consolidation.
b) Machinery of carrying amount of RM260,000 was sold for RM184,000.
c) Nina Bhd had paid RM560,000 dividends during the year.
d) Nina Bhd acquired shares in Lili in which it was able to exert significant influence. The cost of acquisition was RM400,000 which was discharged by a cash payment RM200,000 and issue of 10 percent debentures of RM200,000.
e) On 1 December 2014, Nina Bhd acquired Oni Bhd. The effects of acquisition are as follows:

	RM
Property, plant and equipment	900,000
Inventory	460,000
Trade receivables	960,000
Bank	280,000
Trade payables	(1,200,000)
Non-controlling interest	(280,000)
	1,120,000
Goodwill	600,000
	1,720,000

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Cost of business combination:	RM
Shares issued	760,000
Cash paid	960,000
	1,720,000

Required:
Prepare the consolidated cash flow statement for the year ended 31 May 2015 as required by MFRS 107 *Statement of Cash Flows* using the indirect method.

(Total: 25 marks)

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